

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AGR-05 SP-02 AID-05 EB-07 NSC-05

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R 222049Z APR 75

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 9837

INFO AMEMBASSY BRAZILIA

AMEMBASSY BOGOTA

AMEMBASSY GUATEMALA

AMCONSUL GUAYAQUIL

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY SAN JOSE

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E.O. 11652: N/A

TAGS: EAGR, HO

SUBJECT: BANANAS: STANDARD FRUIT NEGOTIATIONS WITH BANANA COMMISSION
COME TO HALT.

REF: TEGUCIGALPA 1367

SUMMARY: STANDARD FRUIT HONDURAN MANAGER, MICHAEL ROTOLO,
ADVISES EMBASSY OF CURRENT STATUS COMPANY NEGOTIATIONS WITH
BANANA COMMISSION. IN ESSENCE NEGOTIATIONS ON MAINTAINING
BANANA PRODUCTION IN ESLETAS AREA BROKEN OFF. NEXT STEP
(EXCLUDING POSSIBLE EFFECTS OF CHQYGE IN GOVERNMENT) IS LIKELY
TO BE A NOTIFICATION FROM THE HONDURAN GOVERNMENT TO STANDARD
FRUIT THAT ISLETAS AREA TO BE TAKEN UNDER THE AGRARIAN REFORM
LAW. END SUMMARY.

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1. IN A SERIES OF MEETINGS WEEK OF APRIL 14, NEGOTIATIONS WERE CONDUCTED BY THE FULL BANANA COMMISSION AND STANDARD FRUIT REPRESENTATIVES TOWARD THE OBJECTIVE OF AN AGREEMENT TO MAINTAIN BANANA PRODUCTION IN ISLETAS AREA. NEGOTIATIONS PROCEEDED SATISFACTORILY ON ALL POINTS EXCEPT TWO. FIRST STANDARD FRUIT WAS UNWILLING TO ALTER ITS OFFER OF \$2.15 FOB PER 40 POUND BOX. SECONDLY, STANDARD FRUIT INSISTED THAT THE INA OR OTHER GOVERNMENT AGENCY MUST BE THE EXPORTER OF RECORD. POINT ONE WAS NEVER REALLY EXAMINED BY THE BANANA COMMISSION BECAUSE IT HAD NO MEANS OF DETERMINING PROBABLE INA COSTS AND THEREFORE WHETHER THE \$2.15 OFFER WOULD BE ACCEPTABLE. HOWEVER, SECOND POINT WAS CONSIDERED NOT NEGOTIABLE BY STANDARD. INHERENT IS STANDARD'S OBJECTION AGAINST PAYMENT OF BANANA SURCHARGE. PRODUCER IS EXPORTER OF RECORD IN BOTH COSTA RICA AND NICARAGUA UNDER STANDARD'S CONTRACTS. STANDARD IS NOT GOING TO SIGN ANY AGREEMENTS WHICH REQUIRE THE COMPANY TO PAY EXPORT TAXES.

2. STANDARD'S POSITION NOTED BY BANANA COMMISSION WHICH STATED MATTER WOULD BE REFERED TO CHIEF OF STATE. SUBSEQUENTLY BANANA COMMISSION NOTIFIED STANDARD THAT IT COULD NOT ACCEPT THIS POSITION AND THAT IT WOULD BE OBLIGATED TO PROCEED AGAINST STANDARD UNDER THE AGRARIAN REFORM LAW. THE GOVERNMENT TOLD STANDARD THAT UNDER NO CIRCUMSTANCES WOULD INA BE AN EXPORTER.

3. THE ABOVE CONDITIONS (WHICH STANDARD DOES NOT BELIEVE WILL BE ALTERED BY A CHANGE IN GOVERNMENT) LEAD TO THE CONCLUSION THAT THE ISLETAS AREAS WILL NOT CONTINUE WITH THE PRODUCTION OF EXPORT BANANAS.

4. ON SUNDAY APRIL 20, LT. COL. MARIO MALDONADO MUNOZWI DIRECTOR OF INA, GAVE A SPEECH AT A GATHERING IN ISLETAS. IT WAS PRIMARILY A "FLAG WAVING" DISCOURSE WHICH FREQUENTLY REITERATED THE RESPONSIBILITY OF THE MILITARY GOVERNMENT TO TAKE ACTION TO PLACE INTO PRODUCTION UNUTILIZED LAND.

5. COMMENT: THE NEGOTIATIONS BETWEEN STANDARD AND THE BANANA COMMISSION HAVE CONTINUED ON A CORDIAL BASIS. THE LIMITED OFFICIAL USE

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EMBASSY BELIEVES STANDARD IS ROCK HARD IN ITS POSITION THAT IT WILL ACCEPT ISLETAS PRODUCTION ONLY ON A FOB BASIS. THE REACTION OF THE BANANA COMMISSION TO STATE THAT IT WILL APPLY THE AGRARIAN REFORM LAW HAS NO SURPRISES BECAUSE THIS HAS BEEN ANTICIPATED FOR SEVERAL MONTHS. IF THE GOVERNMENT SHOULD MAINTAIN ITS POSITION, IT WILL BE FACED WITH A MONUMENTAL REORGANIZATION OF AGRICULTURAL PRODUCTION IN THE 41,000 ACRES IN ORDER TO MAINTAIN LABOR OCCUPIED. STANDARD REITERATED

DURING THE DISCUSSIONS THAT THE COMPANY WAS NOT ATTEMPTING TO
NEGOTIATE THE EXPORT SURCHARGE. THE EMBASSY BELIEVES THAT THE
COMPLEXITIES WHICH HAVE EVOLVED IN THE PAST YEAR ARE NONETHELESS
THE INEXORABLE RESULT OF THE INITIAL BAD DECISION ON THE PART
OF THE GOVERNMENT TO APPLY THE TAX.
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